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**Memo to:** Michael E. Marshall, Secretary of the Senate  
Mark Brandsgard, Chief Clerk of the House

**From:** John Norris, Chairman  
Iowa Utilities Board

**Date:** July 7, 2008

**Subject:** **Sunset of Single Line Flat-rated Residential and Business Rates – HF 277, 81<sup>st</sup> General Assembly (2005)**

In 2005 the General Assembly passed HF 277, Telecommunications Deregulation. This bill deregulated business and residential retail rates for most local exchange communications services in Iowa on July 1, 2005. Single line flat-rated residential and business rates continued to be regulated. Rates for the flat-rated services were initially set at the corresponding rates charged by each rate-regulated local exchange carrier (Qwest, Iowa Telecom, and Frontier Communications) as of January 31, 2005. The new law then allowed for increases to the flat-rated monthly rates of up to \$1 per year for residential service or \$2 per year for business service, plus inflation, up to specified caps, beginning July 1, 2005, through June 30, 2008.

The deregulation law further provided that effective July 1, 2008, the single line flat-rated services would also be deregulated unless the Board elects to extend its jurisdiction for a maximum of two years if it finds such action to be necessary for the public interest.

On February 11, 2008, the Board issued an order to initiate a proceeding to determine whether it should extend its jurisdiction over single line flat-rated residential and business service rates for another two years. The investigation showed that competitive offerings from other carriers, wireless carriers, and cable providers are available in much of the state and most Iowa consumers have a choice of telecommunications service providers. The record also showed that each of the rate-regulated incumbent carriers lost access lines, which appears to be an indicator of the competitive forces within the market. This evidence, coupled with the Board's 2007 Telecommunications Survey Report, supported a finding that there are competitive choices for basic telecommunications services in most of Iowa that will allow the market to discipline future general rate increases and ensure that prices remain just and reasonable overall. **Therefore, on June 27, 2008, the Board issued an order finding that single line flat-rated residential and business rates should be allowed to sunset pursuant to Iowa Code § 476.1D" c", effective July 1, 2008.**

The Board continues to have jurisdiction over certain aspects of telecommunications including service quality for many services offered by land-line telecommunications carriers and dispute resolution between telecommunications carriers as required by state and federal law.